

Problems of Developing Municipalities' Financial Balances on the Example of the "General Government" Sector

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Abstract. The article deals with the problems of developing financial balances at the municipal level, based on the principles of constructing the System of National Accounts. The problems of methodological nature and information content of financial balances are described, possible ways of their solution are proposed. The author's methodology for determining the share of the "General Government" sector in the economy of municipalities has been developed. In the absence of data on value-added areas, proposed to use wage data by types of economic activity. On this basis, we calculated the contribution of local and state budgets in the expenditures of the "General Government" sector in the municipalities of the Khanty-Mansiysk Autonomous Okrug - Yugra. On average, financing of wages in this sector is provided by federal and regional authorities at 60.86% in the region. The smallest value among municipalities is in the city of Pokachi (9.88%), the greatest dependence on the financing of the region and the federation is in the city of Khanty-Mansiysk (85.5%), Surgut (over 65%) and Yugorsk (slightly less than 64%).

1 Introduction

In recent years, issues of sustainable development of territories have been considered from different positions: environmental, economic, technological, food, financial, etc. [1-3]. Since the concept of "sustainability" is a diverse phenomenon, in economic terms, research on this topic is multidirectional [4]. From a financial point of view, in a significant part of scientific publications, sustainability is understood as the balance of budgets at various levels [5-7]. At the same time, this approach has a number of significant drawbacks, since it takes into account the financial resources of only state budgets. Moreover, the modern budgetary policy in Russia is structured in such a way that regional budgets largely depend on various kinds of subsidies, subventions, etc., which makes it possible to balance the budgets of all levels. Another approach used in the scientific literature - is the stability of the financial system as a certain understanding of budgetary provision, i.e. budget expenditures per capita area. Such methods have their place, but the budget sufficiency level in the Russian Federation is dependent on two main factors. The first is the economic

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specialization of the region. Budget provision of primary regions (Yamalo-Nenets and Khanty-Mansi, Nenets Autonomous District, Sakhalin region, and a number of others) is much higher than the average in Russia, due to higher revenues from natural resource extraction. Another group of regions with high budgetary security is the administrative centers of Russia: the cities of Moscow and St. Petersburg, as well as the Moscow region. The rest of the regions of Russia on this indicator are approximately at the same level, thanks to the federal policy of equalizing regional expenditures. Therefore, at present, the stability of the financial system of territories (regions and municipalities) is considered too narrowly, not reflecting all aspects of the movement of financial resources. We propose to consider the stability of the financial system of the territories by calculating the balances of the movement of all resources: enterprises, budget flows and the population. This approach is based on the methodology for constructing the System of National Accounts (SNA). In which financial flows are divided by sectors "Corporations", "General Government", "Households". Theoretical and methodological features of constructing financial balances at the regional level are presented in [8].

The purpose of this study is to develop elements of methodological approaches to the construction of financial balances at the level of municipalities, and to determine the contribution of the "General Government" sector to the economy of municipalities.

2 Methods

Development of financial balances at the level of national economies is a mandatory element of national accounting. In the System of National Accounts, for the level of an individual state, tables of formation and use are formed both for individual institutional sectors and in relation to the outside world. These tables allow you to define the structure of the movement of financial resources between the production of goods and services sectors (non-financial corporations), financial intermediation (financial corporations), the budgets of all levels (general government), the population (households) and non-profit institutions [9, 10]. At the same time, the formation of balances with the outside world makes it possible to determine the movement of financial resources between national economies. At the regional level in the foreign practice, there are examples of the development of similar balances of movement of financial resources, for example, in the EU and the United States [11-14]. These balances can be presented in a simplified form, since it is impossible to completely control the movement of resources between regions.

With the development of international SNA standards, the question arose about projecting accounts to the municipal level of government. In forming the accounts at the level of local territories, researchers are faced with the peculiarities of their construction, typical for any open economic system:

1. The need to consider the local area as a single economic unit, when all horizontal and vertical flows to other areas should be considered as "outside world". It is desirable to classify these flows by level (federal, regional, inter-municipal) and directions (outflow, inflow).

2. The need to separate the types of institutional units: firstly, these are "local" institutions, whose center of interest is in the municipality (mainly households and independent enterprises). Secondly, these are regional units, that is, the area of interest of which extends to several territories (that is, divisions of enterprises), and national institutions operating throughout the country, from which it is impossible to allocate the center of interest.

3. Based on this, at the local level, there is a distortion of gross value added, since a significant part of it is "transferred" to other territories, due to intra-corporate accounting of flows. This problem is especially important for our country, since a significant part of the

generated income is created by vertically integrated corporations, and the centers of profit formation are located in large cities.

4. There are also problems with identifying the financial flows of households when there is labor migration from one territory to another. From a theoretical point of view, value added is created in the territory of income generation. However, the reporting of income by location, accepted in many countries, does not allow correctly displaying the real added value of territories.

The solution to these problems largely depends on the quality of municipal statistics in the country, as well as the analytical methods used.

In terms of the System of National Accounts, the resulting indicator of the activity of any territory is the gross value added. For the country level, the Gross Domestic Product is calculated, at the regional level - the Gross Regional Product. For local areas the methodology for calculating the gross municipal product is no single approach. In world practice, there are a number of methods for the calculation of this index [e.g. 10, 11], but every country has its own characteristics of the statistical data on municipal systems. We rely on studies that use regional revenue generation tables to calculate the added value of municipalities [15]. As the author of this study notes, this approach is not without its drawbacks. The most significant of them is the uneven distribution of the efficiency of labor resources in the territory and distortions in statistical data on municipalities. Gross municipal product, according to the generation of income method, is the sum of three components of value added: wages, taxes on production and gross mixed income. The ratio of these components is determined by the specifics of the industry and the efficiency of business entities. In the sector "General Government", a significant part of the added value is staff salaries [15]. Since the establishment, owned by the public sector cannot make a profit and are not depreciated.

As we noted earlier, the generation of added value for a territory of any level is formed (conditionally) in three sectors. These are the corporate sector (manufacturing enterprises and all types of services), public administration (institutions financed by budgets of all levels) and households (in terms of small businesses and self-employed). The role of each of the sectors differs depending on the type of economy; in the territorial context, the influence of the sectors is also significantly different. The "General Government" sector, according to the SNA methodology, has a redistributive function. At the expense of payments collected from economic agents (taxes, customs payments, various fees), it distributes the available resources among other economic agents. An approximate diagram of financial balances for the general government is presented in Fig. 1.

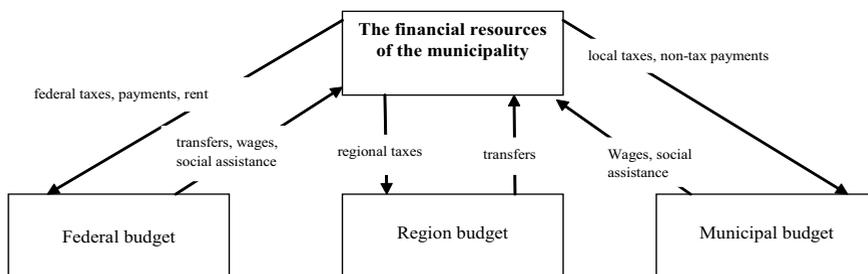


Fig. 1. Logical scheme of movement of financial resources for the sector "General Government".

The expenditures of the "General Government" sector all over the world, including Russia, at the territorial level occur through several channels. The main channel in Russia is

direct financing by municipal and regional budgets of state institutions (hospitals, schools, kindergartens, administrative agencies). These data are available in statistics and are easy to calculate. Another channel of public resources is to finance federal agencies directly from the federal (regional) budgets, in Russia it is a lot of organizations, ranging from law enforcement to research and universities. Statistics on these data practically do not exist in Russia, since departmental funding is not reflected in the statistics of municipalities. Another channel of financing government spending in favor of social security costs in a particular area. This applies to payments from social insurance, the Pension Fund, direct payments from the federal and regional budgets. There is very little information on such payments.

Thus, the formation of accounts for the "General Government" sector is a rather extensive and complex task. Therefore, within the framework of this work, we will focus on the problem of calculating the share of state resources in the economy of municipalities.

3 Results and Discussion

Financial resources sector "General Government" at the municipal level have a different impact on the economic development of the territories. For example, imagine an abstract territory where there is no industry and the services sector. Jobs are created only in the public sector (school, hospital, local administration), while the rest of the population lives on state subsidies (pensions, benefits, etc.) and personal farming. In this case, the municipality is completely dependent on public administration. In another case, for example, a shift camp for field development in remote areas, by contrast, cannot have jobs, funded sector "General Government". Finding such a relationship is very important for determining the structure of the economy of a municipal entity. In the future, in order to determine the efficiency of resource use, such a ratio will allow creating models of state financing of territories. In the Russian statistical system, determining the share of the public sector in the economy of a municipal entity is possible through payroll calculations. The Russian Statistical Office compiles a database on accrued wages by type of activity of the territories. In addition, the databases contain information on the wages of all employees of municipal enterprises. Based on these data, we proposed a methodological approach that allows "first approximation" to calculate separately the share of the financial resources of local (regional) budgets and the federal budget in the economy of the municipality. The method consists in the allocation of "state" activities in the income of employees of municipalities. These types of activities include: Section O "State administration and military security; social Security"; Section P «Education», Section Q «Activity in the field of health and social services», Section R «Activity in the field of culture, sports, leisure and entertainment." To highlight the "municipal" component in these costs, we use data on municipalities of Rosstat. The ratio of wages paid by organizations of municipal ownership and the amount of all "state" types of activities allows us to calculate the contribution of federal money to the economy of the territories.

To test the proposed approach, we investigated the contribution of municipal and higher budgets in the cost sector "General Government" in the municipalities of the Khanty-Mansiysk Autonomous Okrug for 2017. The choice in favor of this subject of the Russian Federation is due, firstly, to the limited number of municipalities (105 municipalities, including 13 urban districts, 9 municipal districts, 26 urban settlements and 57 rural settlements). Secondly, consolidated and quite comfortable tax statistics on areas. Thirdly, the presentation in the Rosstat databases of indicators for territories in a convenient form - for municipal districts and cities, without breaking down into small territories. The data obtained are presented in Table 1. It can be seen from it that the data on the territories almost completely corresponds to the financing of certain areas by local, regional and

federal budgets. Thus, local budgets to a large extent form the salary fund for secondary education. Where there are higher education institutions (for example, Khanty-Mansiysk), the discrepancy between general and local data on wages increases sharply. Regions and Federation fully provide funding for health care, while at the same time, Section R «Activity in the field of culture, sports, leisure and entertainment" is almost entirely funded by the municipalities.

Table 1. The contribution of municipal and state budgets in financing the wage sector "General Government" for municipalities KhMAO, 2017, mln. Rub. and %

Municipalities	Total wages	Gen.Gov. wages total	% of total	Municip. budget wages	% of total	State budget wages	% of total
Beloyarsk district	12 140	2 440,6	20,1	1 193	9,83	1 248	10,28
Berezovsky district	7 024	2 955,6	42,1	1 402	19,96	1 554	22,12
Kondinsky district	6 498	2 914,0	44,8	1 519	23,38	1 395	21,47
Nefteyugansk district	20 275	2 600,6	12,8	1 217	6,00	1 383	6,82
Nizhnevar-tovsk district	34 810	2 215,4	6,4	1 123	3,23	1 092	3,14
Oktyabrsky district	14 148	2 484,9	17,6	1 428	10,10	1 057	7,47
Sovetsky district	14 148	3 652,6	25,8	1 699	12,01	1 953	13,81
Surgut district	94 927	6 661,1	7,0	4 066	4,28	2 596	2,73
Khanty-Mansiysk district	16 110	1 260,7	7,8	954	5,92	307	1,90
Kogalym city	24 116	3 451,1	14,3	1 591	6,60	1 860	7,71
Langepas city	9 080	2 615,5	28,8	1 135	12,50	1 480	16,30
Megion city	13 368	3 662,0	27,4	1 790	13,39	1 872	14,01
Nefteyugansk city	37 926	7 189,0	19,0	3 270	8,62	3 919	10,33
Nizhnevar-tovsk city	60 938	17 891,6	29,4	7 118	11,68	10 774	17,68
Nyagan city	10 642	4 370,8	41,1	1 675	15,74	2 696	25,33
Pokachi city	4 755	638,7	13,4	576	12,10	63	1,33
Pyt-Yakh city	10 895	2 349,3	21,6	1 144	10,50	1 205	11,06
Raduzhny city	9 288	2 451,8	26,4	1 221	13,14	1 231	13,25
Surgut city	114 607	27 029,3	23,6	9 437	8,23	17 592	15,35
Uray city	8 729	2 925,8	33,5	1 161	13,30	1 765	20,22
Khanty-Mansiysk city	33 642	19 495,1	57,9	2 827	8,40	16 668	49,55
Yugorsk city	12 799	3 107,2	24,3	1 129	8,82	1 978	15,46
TOTAL	570 864	124 362,9	21,8	48 675	8,53	75 688	13,26

As can be seen from the table, the average contribution of the "General Government" sector to the wages of the territories is 21.8%. The highest value belongs to the city of Khanty-Mansiysk (the capital of the region) with a value of 57.9%, the lowest belongs to the Nizhnevar-tovsk district (only 6.4%). Contribution to the wages of municipal budgets for the Khanty-Mansiysk Autonomous Okrug of 8.53% on average. The most dependent on local budgets are Kondinsky and Berezovsky districts, about 20%. Least dependent Nizhnevar-tovsk and Surgut districts, less than 5%. Due to the regional and federal budgets in Ugra paid 13.26% of all wages. The smallest value is shown by the city of Pokachi and

the Surgut districts (less than 2%). A very large contribution of state administration is made to the economy of the Khanty-Mansiysk city, almost half of the total wages. As a result, as can be seen from the table, the average wage sector funding "General Government" in the Khanty provided by the federal and regional authorities to 60.86%. The smallest value among the municipalities in Pokachi (9.88%). Khanty-Mansiysk (85.5%), Surgut (over 65%) and Yugorsk (slightly less than 64%) are most dependent on regional and federal funding. In a significant part of the Khanty-Mansi Autonomous Okrug, the share of local expenses and higher budgets in wages is in the 50/50.

4 Conclusion

Khanty-Mansiysk Autonomous Okrug - Yugra in Russia is one of the leading regions in terms of the level of income of the population, and the influence of the financial resources of the "General Government" sector on the economy of municipalities is not the same. For territories lacking significant industrial enterprises, such as Urai, Nyagan, Berezovsky and Kondinsky districts, the contribution of the "General Government" sector is quite significant, and amounts to about 30-45%. The large number of jobs in healthcare, education and management allows these settlements to be supported with a small number of private enterprises. On the other hand, in several municipalities of Ugra dependency on the financial resources of public administration is minimal. This applies to Nizhnevartovsk, Surgut and Khanty-Mansiysk district. Since the main facilities financed from the budget are located in cities rather than districts. The capital of the Autonomous Okrug, Khanty-Mansiysk, is more than half dependent on the cash flows of state and municipal authorities. In fact, it performs administrative functions, since it is located away from the main oil fields.

As a result, as the calculation for the municipalities of Ugra has shown, the statistics do not always adequately display information on wages, there are omissions and inconsistencies. At the same time, this study has allowed to determine the contribution of the sector "General Government" in wages municipalities KhMAO fund, which will serve as a starting point in assessing the sector's contribution to the formation of value-added areas.

Acknowledgements

The study was sponsored by RFBR Project number 18-010-01001 "Sector "General Government": the formation of the financial balances of regions and municipalities on the basis of the principles of the System of National Accounts"

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